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Latam Weekly: Regional Inflation Data and BCRP Decision

ECONOMIC OVERVIEW

- Colombia, Chile, Mexico, and Brazil release inflation data next week that will help us refine our expectations for additional hikes, or even possible cuts, in coming months in the Latam region.
- Peru's BCRP is expected to leave its policy rate unchanged at its announcement on Thursday, after it unexpectedly paused at its first meeting of 2023. Still, we think rate cuts will wait amid stubbornly high inflation.

PACIFIC ALLIANCE COUNTRY UPDATES

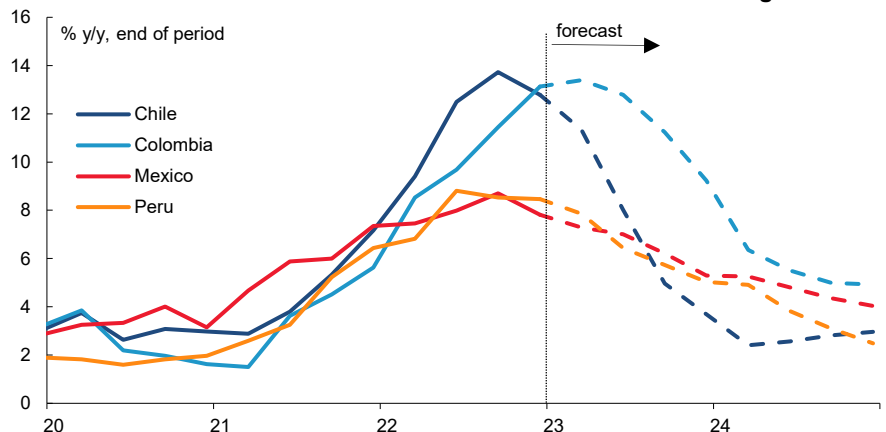
- We assess key insights from the last week, with highlights on the main issues to watch over the coming fortnight in the Pacific Alliance countries: Chile, Colombia, Mexico, and Peru.

MARKET EVENTS & INDICATORS

- A comprehensive risk calendar with selected highlights for the period March 4–17 across the Pacific Alliance countries and Brazil.

Chart of the Week

Inflation Poised to Subside Ahead of Rate Decisions in Coming Weeks



Sources: Scotiabank Economics, Haver Analytics.

Chart of the Week: Prepared by: Anthony Bambokian, Economic Analyst.

Economic Overview: Regional Inflation Data and BCRP Decision

- **Colombia, Chile, Mexico, and Brazil release inflation data next week that will help us refine our expectations for additional hikes, or even possible cuts, in coming months in the Latam region.**
- **Peru's BCRP is expected to leave its policy rate unchanged at its announcement on Thursday, after it unexpectedly paused at its first meeting of 2023. Still, we think rate cuts will wait amid stubbornly high inflation.**

We're fully on inflation watch next week in Latin America, with prices data due for release over the next few days from Colombia, Chile, Mexico, and Brazil. The early part of 2023 was expected to see continued declines in inflation that would justify pauses or the end of hiking cycles across some major economies, both in the DM and EM spaces.

Despite warnings from central bankers on the bumpy path on the inflation horizon, markets headed into late-2022 with perhaps too much optimism around the end of hiking cycles. Wake-up calls from strong macroeconomic data—that suggest there may be more inflationary pressures in the pipeline—has lifted rate expectations in markets. In the US, this has translated into a higher implied terminal rate after a blockbuster payrolls increase and a recovery in PMI surveys. Global market watchers may keep to a cautious tone throughout most of the week until the release of US nonfarm employment on Friday, with ADP jobs and JOLTS job openings acting as an appetizer on Wednesday.

Banxico saw elevated core inflation in January and erred on the side of caution with a half-point hike in early-February, as the minutes to the meeting published earlier this week showed. The slight softening in H1-Feb inflation (headline and core) is but a hint of softer prices growth that the bank will hope will be confirmed by full-month data out on Thursday. Still, despite the surprise 50bps hike, Banxico will likely prefer to slow to a 25bps click in late-March with a lot of work being done already and also after showing its firm commitment to bringing inflation lower.

Aside from inflation data, we're paying close attention to the electoral/political backdrop in Mexico as AMLO pushes to weaken the power of the country's elections authority and as we near the start of the official campaign period for the EdoMex governorship election in early June (see Mexico section).

Colombian CPI data will be first out the gate over the weekend while the country's inflation rate remains the last to peak among the countries we cover in the region. The team in Bogota, and economists surveyed by Bloomberg, expect year-on-year inflation to tick marginally higher in what should be the zenith of prices growth, coming in at 13.4% y/y (from 13.25% in January). The beginning of a clear downtrend may not come until a few months from now, however, given lingering pressures on prices (e.g., indexation practices). Weak economic data released in recent weeks, however, tee up a final BanRep hike of 25bps later this month, according to our economists (see Colombia section).

In Chile, the team anticipates that prices will only marginally increase m/m while ticking slightly lower year-on-year in February (see Chile section). They feel the

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stronger CLP should have resulted in reduced prices in tradable goods. Our economists have also revised their 2023 GDP growth estimates higher in today's *Weekly* on the back of stronger than expected data to start out the year.

Lula's team will hope that inflation in Brazil resumes a clearer trajectory lower as was pre-empted by mid-month data that showed a decent deceleration to its slowest year-on-year pace since March 2021. The country's Finance Minister Haddad and Planning Minister Tebet spoke on various occasions this week on the government "doing its part" on inflation to motivate the BCB to cut rates soon; other, more radical politicians like Workers' Party president Hoffmann said BCB Gov Campos Neto should be fired or quit for not getting in line with the 'project'. A decline in Brazilian GDP in the fourth quarter will also likely see political pressure ramp-up on the BCB to ease policy (though a rate cut on March 22 is highly unlikely). However, if Lula's team instead leans into increased spending (notwithstanding tight finances) to tackle soft growth, the BCB will likely wait longer before a first cut. Haddad is expected to soon announce a new fiscal framework proposal for Brazil that will likely replace the much-hated by Lula spending cap. It's become a game of chicken between the BCB and government, and so far it appears Campos Neto's board is showing no signs of yielding.

Peru has already released inflation data for February, which came in softer than expected on Wednesday, but this does not mean the Peruvian calendar is bare of key events with the BCRP's policy announcement scheduled for Thursday. Now, the BCRP has already paused its hiking cycle, so the focus will be on how long it intends to leave its policy rate at 7.75%. The country's economy may fare a bit better, as well, as the intensity of protests against Congress and Pres Boluarte has died down. The team in Lima discusses the impact of these on the Peruvian economy in early-2023 in today's weekly as the country enters a 'new normal'.

Pacific Alliance Country Updates

Chile—Upwards Revision to our 2023 GDP Projection to -0.8%

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BETTER-THAN-EXPECTED START TO ECONOMIC ACTIVITY IN 2023

So far this year, the labour market and economic activity have positively surprised market expectations. Most recently, job creation and monthly GDP growth in January confirmed that in 2023 it will decline less than expected by the consensus and the central bank. In our view, the main factors behind the good performance of economic activity are: (1) a better start to the year with a positive handover effect; (2) stronger than expected labour market resilience; (3) an improvement in terms of trade explained by a significant increase in the price of copper; (4) the fast execution of public spending since late 2022 that would have continued in early 2023; (5) a political scenario that would lead to a moderation in the structural reforms under negotiation and a constitutional process (constitutional council) where we anticipate a political balance of forces similar to the one observed in the current Senate. With this, we revise upwards our 2023 GDP projection from -1.7% to -0.8%.

INFLATION OF TRADABLE GOODS WILL FINALLY BEGIN TO EASE

We project a CPI increase of 0.1% m/m in February (12.2% y/y). By divisions, we see increases in housing due to rising rents, co-ownership expenses and natural gas. In the same vein, restaurants and hotels will continue to reflect second round effects. The appreciation of the CLP would have finally generated declines in a number of tradable prices in February, through (at least) decreases in gasoline, new cars, air transportation and packages tours.

Colombia—The Economic Slowdown and Negotiations in the Political Agenda

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Recent weeks have shown a moderation in macroeconomic indicators. Economic growth for 2022 and the employment figures for January showed that the economy started to slow down earlier and faster than expected, which would lead to a faster closing of the positive output gap. Coincident indicators show that private consumption is moderating. According to various surveys, there is evidence that micro-spending is decreasing and that households are overweighing primary versus leisure expenses. From a borrowing perspective, credit growth is also in a decelerating path (chart 1), especially for consumer credit, reflecting a combination of lower credit demand and a more moderate lending appetite given non-performing loans are clearly increasing (chart 2). That said, the economic slowdown affirms our expectation that BanRep is reaching the end of the hiking cycle and will deliver a final hike of 25 bps to take the monetary policy rate to 13.00%.

Chart 1

Colombia: Banking Loans by Segment (Nominal)

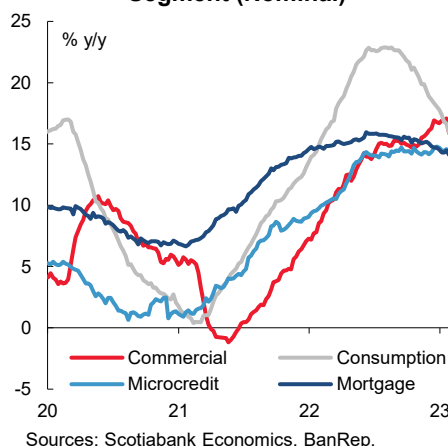
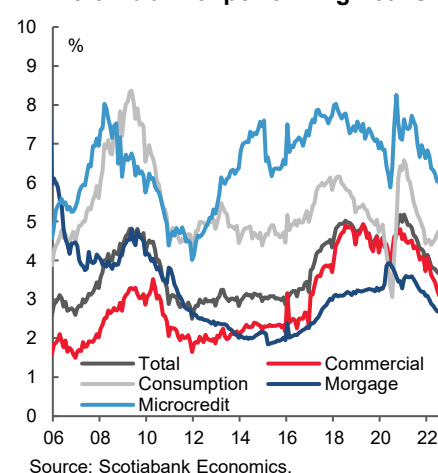


Chart 2

Colombia: Nonperforming Loans



In terms of inflation, despite not yet reaching a peak, expectations are stabilizing, indicating that in Q1-2023 Colombia will move past the higher expected levels. For February's inflation print, the market expects 1.67% m/m and 13.27% y/y, suggesting that inflation in Colombia finally peaked, although will likely hover around this high for a while. At Scotiabank Economics, the expectation is 1.78% m/m and 13.41% y/y.

All of the above reaffirms the expectation that the end of the hiking cycle is closer. The discussion will now turn to how long higher rates will last. In that regard, economic indicators will be key.

According to Scotiabank Economics calculations, recent economic indicators point to a less positive output gap than BanRep’s calculation. In fact, if we calculate the output gap assuming that potential output doesn’t fall after the COVID-19 episode, we find that the output gap is, in fact, currently neutral (chart 3). However, the effect of having a lower output gap vs BanRep’s expectation doesn’t imply a lower terminal rate. Instead, it would mean early interest rate cuts since inflation remains at its highest levels in the inflation-targeting era. The Taylor rule exercise shows that incorporating a more neutral output gap, the suggested monetary policy path is 50bps lower vs our base case scenario (chart 4).

All in all, economic activity data is becoming more relevant to kick off the discussion of potential rate cuts in the future. For now, we affirm our expectation that the first cut will come in the last quarter of 2023 to close the year at 12%, as a result of lower inflation expectations but also amid weaker economic activity.

In the political field, two weeks have passed since the formal presentation of the health reform proposal. As expected, political negotiations on that topic have been harder than in the case of tax reform. Traditional parties agreed on the necessity of a health reform and some of the goals, such as increasing regional coverage and improving primary attention. However, those parties disagree with the government’s approach in reaching those objectives.

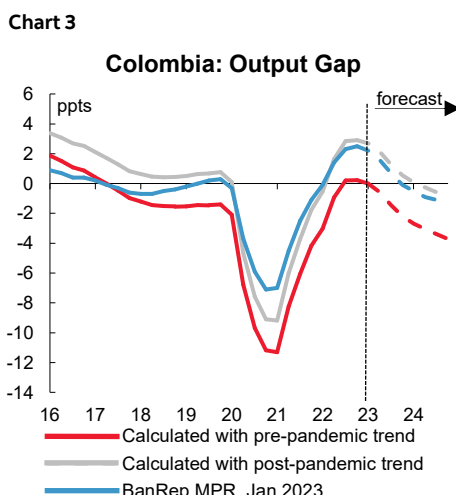
On the fiscal front, the initial health reform proposal looks unsustainable, according to the Ministry of Finance. According to each party’s initial declaration to Congress their political position, more than 70% of Congress was considered part of the governing coalition, but support for the government’s reform diminishes considerably given that the Liberal Party (14 seats in the Senate and 32 in the House), Conservatives (10 and 25 seats, respectively), and La U (10 and 15 seats, respectively) have said that they don’t agree with the health reform proposal. The initial coalition that pointed to a 71.2% support for Petro’s government in the Senate and 77.6 % in the lower chamber (House) falls to 38.8% and 37.2%, respectively.

These developments showed, again, that institutions in Colombia work and that radical changes are less likely to have a Congress with still-high dominance of traditional parties. The next important discussion is expected with the labour reform; we cannot rule out that the government will again deploy a strategy of starting the discussion with a radical proposal to then negotiate after towards a more moderate reform.

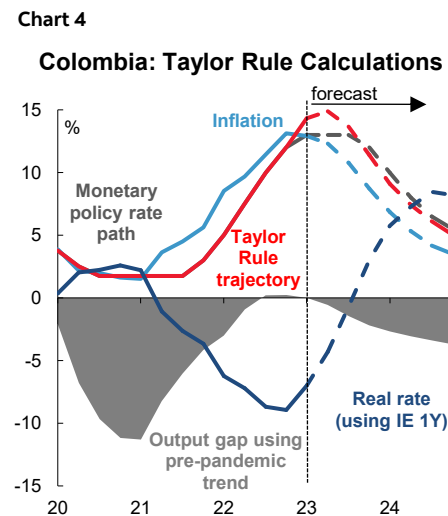
Mexico—The Political Calendar is Heating Up, and Should Become Red-Hot over the Coming 17 Months

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Mexico’s electoral calendar should heat-up as we head into the summer, and into next year. Last weekend marked the **second major mobilization** by civil society in opposition to President Lopez Obrador’s proposed changes to electoral law. Among other measures, the proposed changes—which follow an earlier failed attempt at Constitutional Reform—seek to cut funding to the National Electoral Authority (the INE), arguing that elections in Mexico cost too much. AMLO’s proposal has already been approved by the Legislative arm, but is expected to be challenged in courts by the opposition, and will likely end up being discussed at the Supreme Court level.



Sources: Scotiabank Economics, BanRep.



Sources: Scotiabank Economics, BanRep.

Chart 1

Mexico: Breakdown of GDP by State

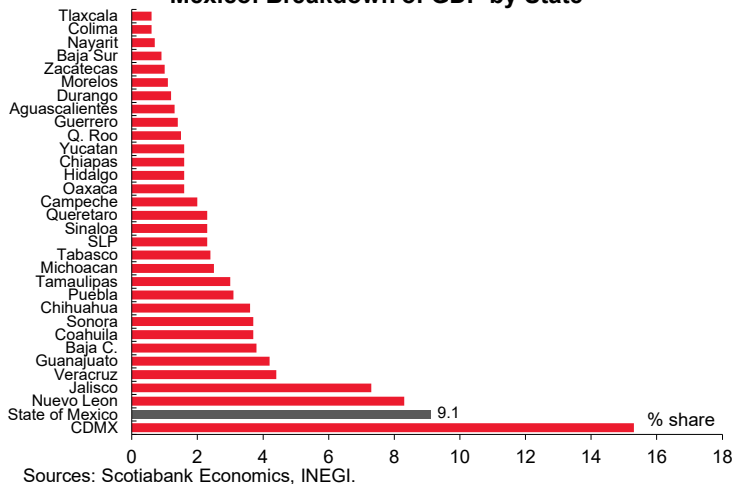
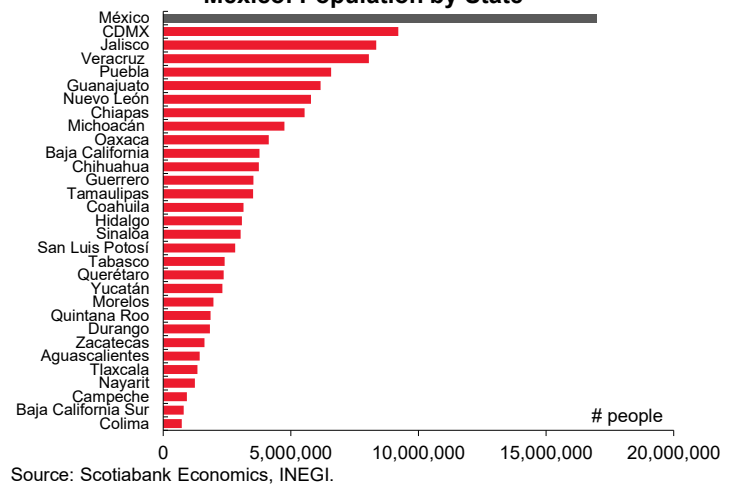


Chart 2

Mexico: Population by State



According to the head of the INE (Lorenzo Cordova) if the entity's budget is cut, it would be forced to dismiss around 6,000 workers, which some argue could impact the INE's capacity to properly run an election—including training polling station workers. Following the protests, the discussion over AMLO's proposed reform and demonstrations aimed against it, the issue seems to have turned international—with last week seeing a [spat](#) between AMLO and the US State Department.

Table 1: Mexico—State of Mexico Election Polling

Pollster	Date of Poll	A. del Moral	J. Zepeda	D. Gomez	Undecided
Ceplan	Jan 20-22	27.4	10.3	57.5	18.1
Covarrubias & Assoc.	Jan 20-25	36	6	58	20
Votia	Jan 21-23	34	12	54	16
Enkoll	Jan 23-29	37	7	56	19
Berumen	Jan 28-Feb 2	37	6	57	14
Meba	Feb 10-12	35.9	10.4	53.7	14.4
Reforma	Feb 16-22	41	4	55	24

Source: Scotiabank Economics.

The State of Mexico, where governor and local legislature elections are scheduled for June 4th, is often seen as a practice run for the Presidential elections (scheduled for July 2024). The State of Mexico accounts for almost 10% of Mexico's GDP (chart 1), and trails only Mexico City in its economic importance. In terms of population, the State of Mexico is the largest in the country, with almost 17mn inhabitants (chart 2). This makes the state a critical "laboratory" for Federal elections.

At this point in time, the candidates for governor of the State of Mexico are expected to be:

- Delfina Gomez: AMLO's former Education Minister, who is running in the Morena-PT-Green Party Coalition.
- Alejandra del Moral: Running for the PAN-PRD-PRI coalition (the incumbent Governor is Alfredo del Mazo from the PRI).
- Juan Zepeda: Expected to represent the MC.

As we head into the election's official start, Morena's candidate appears to be ahead by somewhere between 10–15 percentage points (table 1), but it's worth noting that although the [race](#) for EdoMex kicked off on January 14th with pre-campaigning the formal campaign period takes place April 3–May 31st.

President Lopez Obrador's approval rate remains high, at around 63%, with disapproval having risen marginally to around 24%, based on the various polls tracked by [Oraculus.mx](#). Note that AMLO's approval sits as the highest four years into a president's term relative to any of Mexico's last five presidents, but it's within 10 percentage points of the approval rates enjoyed by 3 of the last 4 (Fox, Calderon, and Zedillo, with Peña Nieto's approval being materially weaker at this point into his term). Mexico's presidential terms last six years, with no re-election being allowed. A poll conducted by Enkoll in mid-February ([reported here by Infobae](#)) shows that if the election were to take place then, Morena would enjoy a 30+ percentage point preference over the second strongest party (the PAN); voter intentions sit at 54% for Morena, vs 22% for the PAN, 13% for the PRI, and 6% for the MC). At this point, it seems likely that we will see coalitions being formed for 2024, potentially a Morena-Green-PT alliance and a PRI-PAN-PRD alliance, while the MC party (which currently governs the important states of Nuevo Leon and Jalisco) being somewhat of a wild-card to participate in a coalition.

Peru—The Meaning and Measure of Normality

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Protests are waning, but not ending. Elections are increasingly likely to be held in 2026, as originally scheduled, with all the usual uncertainty regarding candidates and outcomes. The government is settling down to actually govern—a novelty in recent years—though few are taking notice as political turbulence continues to monopolize daily press coverage and public opinion commentary. Welcome to normality in today's Peru.

Markets continue to take political events in their stride. Peruvian assets have followed regional dynamics in global markets, rather than domestic noise. The exchange rate has strengthened of late, and breached resistance at 3.80, falling into the mid-3.70s.

One thing we can get used to, for a few months anyway, is the BCRP reference rate remaining at 7.75%. The BCRP surprised us and markets when it did not hike in early-February. It will be no surprise, however, when it once again keeps its rate steady at its policy meeting next week. In fact, we do not expect a rate change until Q4-2023. At the same time, the outlook for inflation is starting to become clearer. The fact that inflation remained stable rather than rise, coming in at 8.65% in February versus 8.66% in January was a relief. After hovering between 8.0% and 8.8% since mid-2022, we are now more comfortable with our expectation that inflation will dip below the 8% level by April, and possibly as soon as March.

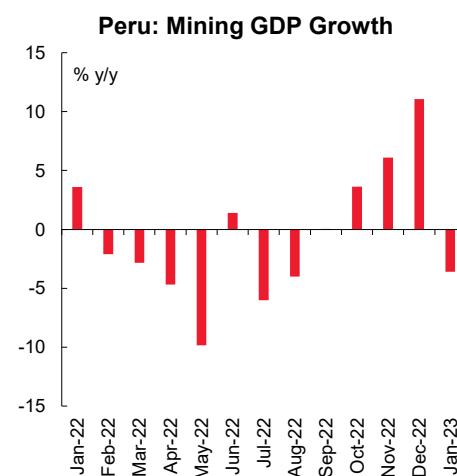
Growth data for the first quarter, on the other hand, will reflect the impact of protests. January GDP data will be released in mid-March, and it won't be pretty. Finance Minister Alex Contreras has stated that in January 2023 political unrest hit GDP in the amount of PEN1.8bn (USD480mn). If so, and the source is credible, this would mean nearly negligible growth for the month.

Early indicators for January published on March 1 point in this direction. Mining declined 3.6% y/y in January (chart 1). Output in every major metal aside from iron declined. Two metals are worth highlighting as indicative of the problems that the protests have caused. Tin output fell 63% y/y in January. Peru has one major tin mine, San Rafael, operated by Minsur and located in Puno. In January, Minsur acquiesced to requests by local leaders to shut down operations in solidarity with the protests. The other metal where trouble was evident is copper, with output down 1.6% y/y. Under normal conditions, this could be chalked up to normal monthly fluctuations. However, what it reflected in January is that new output from Quellaveco was not able to counter the decline in production at other mines. Among them, Las Bambas.

Of equal, if not greater, concern, cement demand plunged 15% y/y in January. Construction is being hit on a number of fronts, which include a slowing economy, higher interest rates, and, to some extent, the impact of the protests on housing and infrastructure investment in the Peruvian south.

Minister Contreras had mentioned the impact of unrest on growth as a preamble to statements that he gave about measures to stimulate the economy. This includes the PEN5.9bn (USD1.6bn) Con Punche Peru program. Congress recently gave the government special legal powers to promote stimulus measures. It is our understanding that some of the impact will become apparent beginning in February. We will pay particular attention to the impact of stimulus measures on the economy going forward. Hopefully, this will prove to be the happier side of normality.

Chart 1



Sources: Scotiabank Economics, INEI.

Forecast Updates

	2021		2022			2023				2024							
	Q4	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2021	2022	2023f	2024f
Brazil																	
Real GDP (y/y % change)	2.1	2.4	3.7	3.6	1.9	1.2	0.5	0.6	0.9	1.4	1.6	1.7	2.1	5.0	2.9	0.8	1.7
CPI (y/y % eop)	10.1	11.3	11.9	7.2	5.8	6.2	5.8	5.3	5.0	4.8	4.3	3.9	3.6	10.1	5.8	5.0	3.6
Unemployment rate (% avg)	11.1	11.1	9.3	8.7	7.9	10.4	9.9	10.1	9.1	9.8	10.5	10.1	9.8	11.1	7.9	9.7	10.1
Central bank policy rate (% eop)	9.25	11.75	13.25	13.75	13.75	13.75	13.75	13.25	12.75	11.50	11.00	10.50	10.00	9.25	13.75	12.75	10.00
Foreign exchange (USDBRL, eop)	5.58	4.74	5.26	5.42	5.28	5.38	5.41	5.49	5.38	5.47	5.39	5.31	5.23	5.58	5.28	5.38	5.23
Chile																	
Real GDP (y/y % change)	12.0	7.4	5.6	0.3	-1.6	0.7	-2.3	-1.2	-0.4	0.5	3.6	2.9	4.0	11.7	2.7	-0.8	2.8
CPI (y/y % eop)	7.2	9.4	12.5	13.7	12.8	11.3	8.0	5.0	3.7	2.4	2.6	2.8	3.0	7.2	12.8	3.7	3.0
Unemployment rate (% avg)	7.2	7.8	7.8	8.0	7.9	8.1	8.9	9.6	8.3	7.9	8.0	8.0	7.5	9.1	7.9	8.7	7.8
Central bank policy rate (% eop)	4.00	7.00	9.00	10.75	11.25	11.25	7.50	5.50	4.50	4.25	3.75	3.75	3.75	4.00	11.25	4.50	3.75
Foreign exchange (USDCPL, eop)	852	786	918	969	851	800	825	825	825	800	780	770	750	852	851	825	750
Colombia																	
Real GDP (y/y % change)	11.3	7.8	12.3	7.8	2.9	1.7	1.7	1.7	1.1	2.6	2.7	2.4	2.4	11.0	7.5	1.5	2.5
CPI (y/y % eop)	5.6	8.5	9.7	11.4	13.1	13.4	12.8	11.2	9.2	6.4	5.5	5.0	4.9	5.6	13.1	9.2	4.9
Unemployment rate (% avg)	11.5	13.2	11.0	10.8	9.8	13.0	10.8	10.8	10.8	10.6	10.4	10.5	10.5	13.8	11.2	11.4	10.5
Central bank policy rate (% eop)	3.00	5.00	7.50	10.00	12.00	13.00	13.00	13.00	12.00	10.00	8.00	6.50	5.50	3.00	12.00	12.00	5.50
Foreign exchange (USDCOP, eop)	4,080	3,771	4,155	4,609	4,853	4,702	4,743	4,805	4,866	4,807	4,829	4,829	4,941	4,080	4,853	4,866	4,941
Mexico																	
Real GDP (y/y % change)	1.0	1.9	2.4	4.4	3.6	1.9	1.0	0.8	0.7	1.4	1.6	2.3	2.3	4.7	3.1	1.1	1.9
CPI (y/y % eop)	7.4	7.5	8.0	8.7	7.8	7.3	7.0	6.2	5.3	5.3	4.8	4.4	4.0	7.4	7.8	5.3	4.0
Unemployment rate (% avg)	3.7	3.5	3.2	3.4	3.0	4.0	4.0	3.9	3.8	3.6	3.7	3.8	3.8	4.1	3.3	3.9	3.7
Central bank policy rate (% eop)	5.50	6.50	7.75	9.25	10.50	11.25	11.75	11.75	11.75	11.00	10.00	9.00	8.25	5.50	10.50	11.75	8.25
Foreign exchange (USDMXN, eop)	20.53	19.87	20.12	20.14	19.50	18.39	18.46	18.66	18.82	19.30	19.36	19.59	19.94	20.53	19.50	18.82	19.94
Peru																	
Real GDP (y/y % change)	3.6	3.9	3.4	2.0	1.7	1.1	2.8	1.7	2.6	2.9	2.4	2.4	2.0	13.3	2.7	2.1	2.4
CPI (y/y % eop)	6.4	6.8	8.8	8.5	8.5	7.9	6.4	5.7	5.0	4.9	3.8	3.1	2.5	6.4	8.5	5.0	2.5
Unemployment rate (% avg)	7.8	9.4	6.8	7.7	7.1	7.8	7.4	7.2	7.2	7.6	7.4	7.1	6.8	10.9	7.7	7.4	7.2
Central bank policy rate (% eop)	2.50	4.00	5.50	6.75	7.50	7.75	7.75	7.75	7.25	7.00	6.75	6.25	5.75	2.50	7.50	7.25	5.75
Foreign exchange (USDPEN, eop)	4.00	3.68	3.83	3.98	3.81	3.78	3.80	3.85	3.85	3.85	3.82	3.85	3.85	4.00	3.81	3.85	3.85
Canada																	
Real GDP (y/y % change)	3.9	3.1	4.7	3.8	2.1	2.2	1.3	0.5	0.4	0.7	1.4	2.0	2.3	5.0	3.4	1.1	1.6
CPI (y/y % eop)	4.7	5.8	7.5	7.2	6.7	5.3	4.1	3.5	3.0	2.4	2.0	1.9	1.9	4.7	6.7	3.0	1.9
Unemployment rate (% avg)	6.3	5.7	5.1	5.1	5.1	5.1	5.3	5.5	5.7	5.7	5.8	5.8	5.9	7.5	5.3	5.4	5.8
Central bank policy rate (% eop)	0.25	0.50	1.50	3.25	4.25	4.50	4.50	4.50	4.25	3.75	3.25	3.00	3.00	0.25	4.25	4.25	3.00
Foreign exchange (USDCAD, eop)	1.26	1.25	1.29	1.38	1.36	1.35	1.35	1.30	1.30	1.27	1.27	1.25	1.25	1.26	1.36	1.30	1.25
United States																	
Real GDP (y/y % change)	5.7	3.7	1.8	1.9	0.9	1.7	1.7	0.9	0.5	0.5	1.0	1.4	1.6	5.9	2.1	1.2	1.1
CPI (y/y % eop)	6.8	8.0	8.6	8.3	7.1	6.0	5.0	4.2	3.8	3.4	2.9	2.5	2.5	6.8	7.1	3.8	2.5
Unemployment rate (% avg)	4.2	3.8	3.6	3.6	3.6	3.5	3.5	3.7	3.8	4.0	4.1	4.3	4.4	5.4	3.6	3.6	4.2
Central bank policy rate (% eop)	0.25	0.50	1.75	3.25	4.50	5.00	5.25	5.25	5.25	4.75	4.25	3.75	3.50	0.25	4.50	5.25	3.50
Foreign exchange (EURUSD, eop)	1.14	1.11	1.05	0.98	1.07	1.05	1.05	1.10	1.10	1.10	1.10	1.12	1.12	1.14	1.07	1.10	1.12

Source: Scotiabank Economics.

Red indicates changes in estimates and forecasts since previous *Latam Weekly* on February 10, 2023.

Forecast Updates—Changes Compared To Previous Latam Weekly

	2021		2022			2023				2024							
	Q4	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2021	2022	2023f	2024f
Brazil																	
Real GDP (y/y % change)	-	-	-	-	-1.5	-	-	-	-	-	-	-	-	-	-0.1	-	-
CPI (y/y % eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-0.7	-	-	-	-	-	-	-	-	-	-1.8	-0.2	-
Central bank policy rate (% eop)	-	-	-	-	-	0.25	0.50	0.75	1.00	1.00	1.50	1.50	1.50	-	-	1.00	1.50
Foreign exchange (USDBRL, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chile																	
Real GDP (y/y % change)	-	-	-	-	-	0.7	0.7	1.3	0.9	0.4	0.1	-0.3	-0.4	-	-	0.9	-
CPI (y/y % eop)	-	-	-	-	-	0.5	0.4	0.2	-	-0.7	-0.5	-0.2	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-0.3	-0.6	0.1	-0.6	-0.5	-0.1	-0.1	-	-	-	-0.4	-0.2
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCLP, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Colombia																	
Real GDP (y/y % change)	-	-	-	-	-1.1	-	-	-	-	-	-	-	-	-	-0.6	-	-
CPI (y/y % eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	2.2	1.0	-	-	-	-	-	-	-	-	0.7	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-1.00	-	-	-	-	-	-	-
Foreign exchange (USDCOP, eop)	-	-	-	-	-	-	-	-61	61	2	-	-	-	-	-	61	-
Mexico																	
Real GDP (y/y % change)	-	0.1	-	0.1	0.1	0.9	0.4	-0.1	-	-1.1	0.2	0.1	0.7	-	0.1	0.3	-
CPI (y/y % eop)	-	-	-	-	-	-	0.5	0.5	0.2	0.8	0.4	0.6	0.2	-	-	0.2	0.2
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-0.25	-0.25	-0.25	-0.25	-	-	-	-0.25	-	-	-0.25	-0.25
Foreign exchange (USDMXN, eop)	-	-	-	-	-	-0.79	-0.84	-0.60	-0.61	-0.18	-0.25	-0.14	0.05	-	-	-0.61	0.05
Peru																	
Real GDP (y/y % change)	0.1	0.1	0.1	0.3	0.1	-	-	-	-	-	-	-	-	-	0.1	-	-
CPI (y/y % eop)	-	-	-	-	-	-0.1	-0.3	-	-	0.1	0.2	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDPEN, eop)	-	-	-	-	-	-0.12	-0.05	-	-	0.05	-	-	-	-	-	-	-
Canada																	
Real GDP (y/y % change)	-	-0.1	-	-0.1	-0.6	-	-	-	-	-	-	-	-	-	-0.2	-	-
CPI (y/y % eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCAD, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
United States																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y % eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (EURUSD, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: Scotiabank Economics.
Changes in estimates and forecasts since previous *Latam Weekly* on February 10, 2023.

Forecast Updates: Central Bank Policy Rates and Outlook

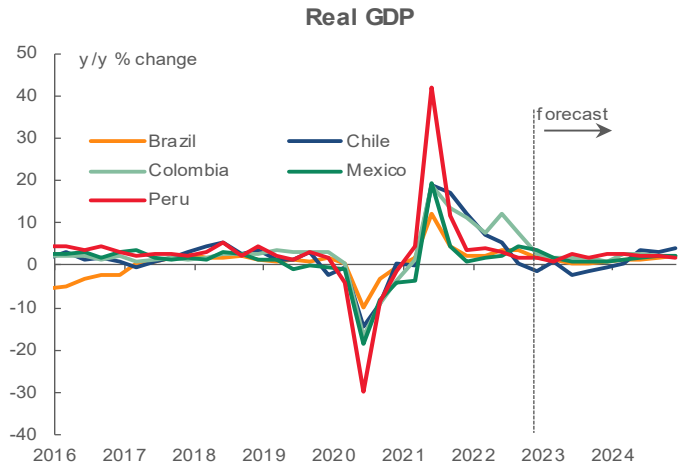
Latam Central Banks: Policy Rates and Outlook

	Next Scheduled Meeting				Market Pricing		BNS Forecast		BNS guidance for next monetary policy meeting
	Current	Date	Market	BNS	12 mos	24 mos	End-2023	End-2024	
Brazil, BCB, Selic	13.75%	Mar-22	n.a.	13.75%	n.a.	n.a.	12.75%	10.00%	
Chile, BCCh, TPM	11.25%	Apr-04	n.a.	9.75%	n.a.	n.a.	4.50%	3.75%	We expect rate cuts beginning in April 2023.
Colombia, BanRep, TII	12.75%	Mar-31	n.a.	13.00%	n.a.	n.a.	12.00%	5.50%	In January, BanRep slowed the hiking cycle, delivering a 75bps hike. The central bank said that the monetary policy rate is approaching the required level to guarantee the inflation convergence towards the 3% target, which still leaves the door open for further hikes. Ahead of the March 31 meeting, we expect BanRep to deliver a final 25bps hike, pointing out that the stability period could be prolonged.
Mexico, Banxico, TO	11.00%	Mar-30	n.a.	11.25%	n.a.	n.a.	11.75%	8.25%	Banxico's board stated in the minutes of the last policy meeting that they expect a hike of lesser magnitude in the March meeting. With this forward guidance, we now expect a rate hike of 25bps after the surprise 50bps hike in February. We have also changed our expectation of the terminal rate, now to 11.75%, although we still recognize a high degree of uncertainty of both the inflation trajectory and the policy rate path for the coming months.
Peru, BCRP, TIR	7.75%	Mar-09	n.a.	7.75%	n.a.	n.a.	7.25%	5.75%	The BCRP will keep its key rate at 7.75% in March due to inflation showing signs of stabilizing. February inflation was below consensus expectations for the second consecutive month.

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

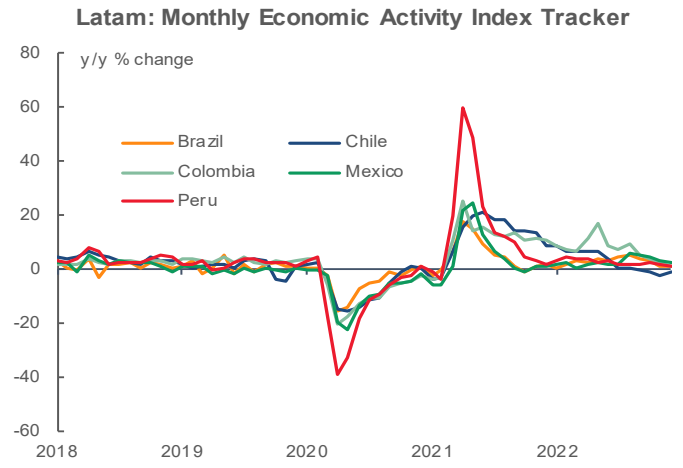
Key Economic Charts

Chart 1



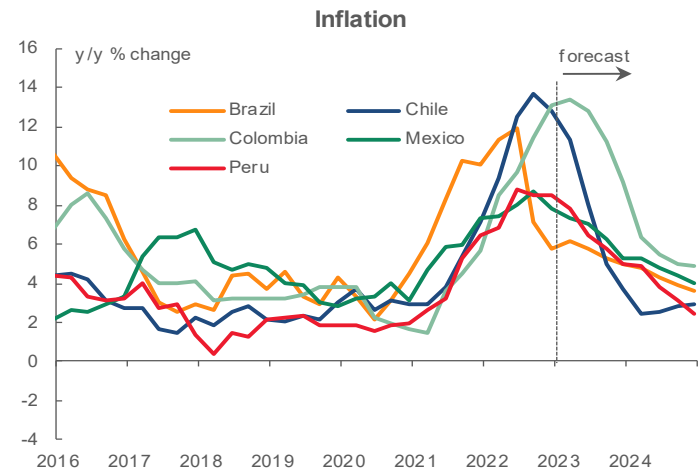
Sources: Scotiabank Economics, Haver Analytics.

Chart 2



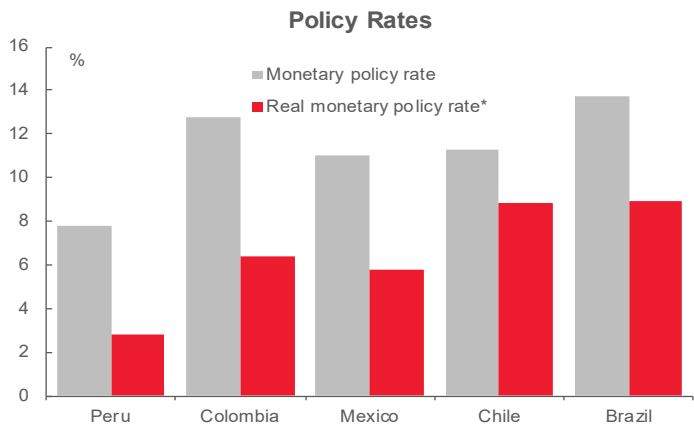
Sources: Scotiabank Economics, Haver Analytics.

Chart 3



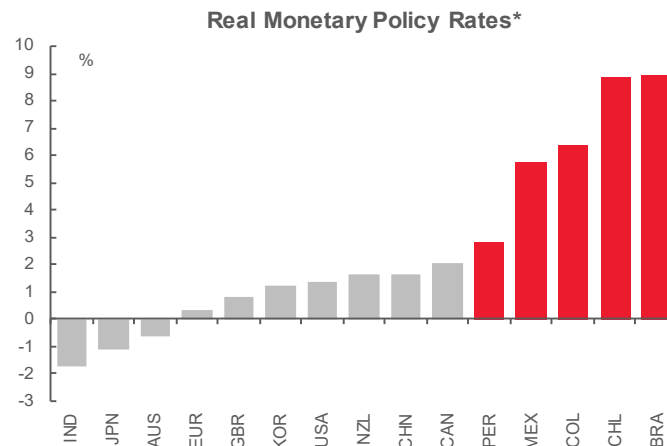
Sources: Scotiabank Economics, Haver Analytics.

Chart 4



* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q1-2024, % y/y.
Sources: Scotiabank Economics, Haver Analytics.

Chart 5



* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q1-2024, % y/y. Sources: Scotiabank Economics, Bloomberg.

Key Market Charts

Chart 1

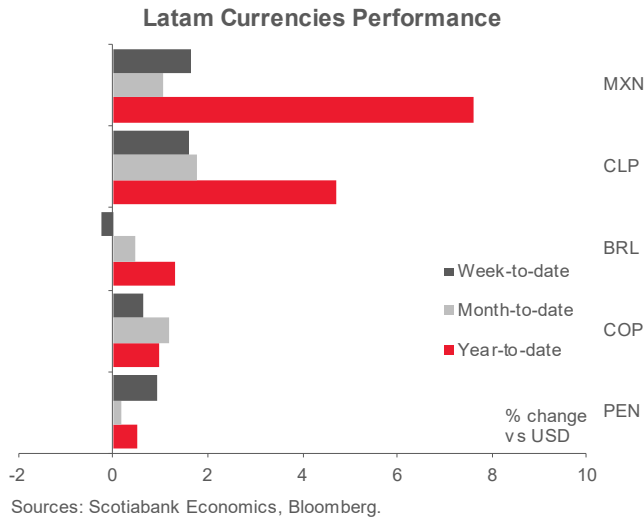


Chart 2

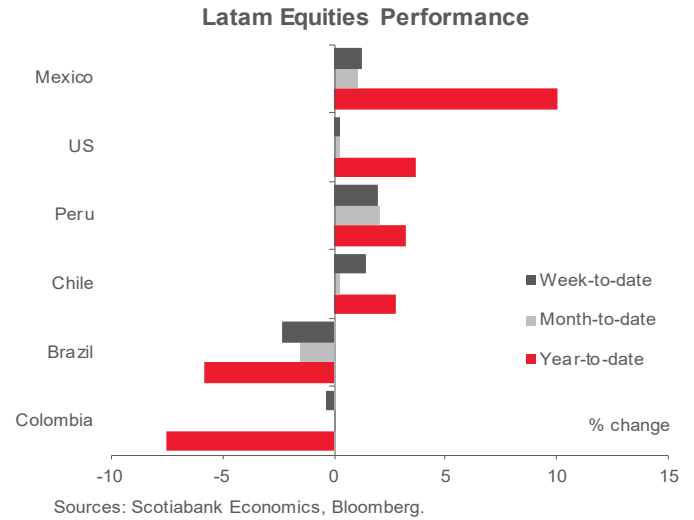


Chart 3

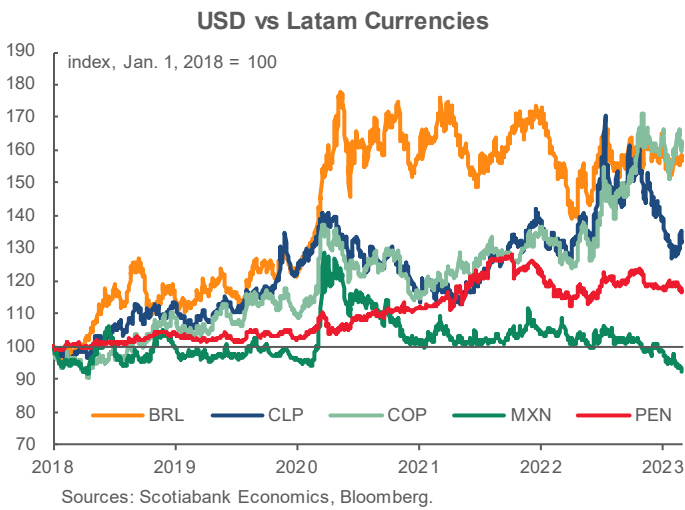
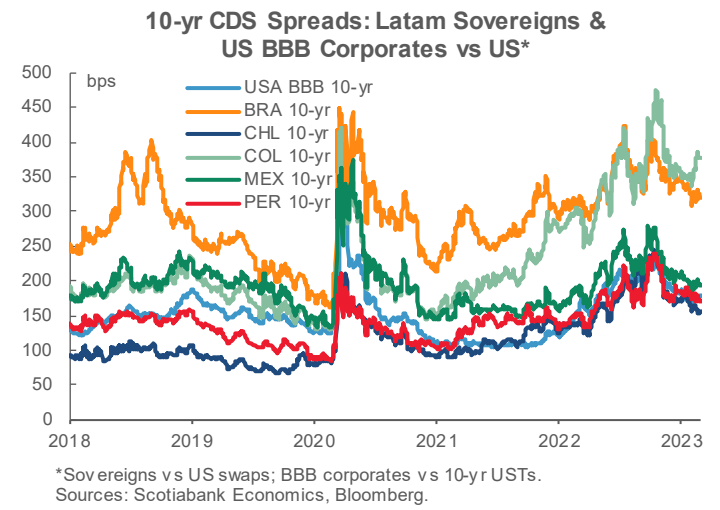
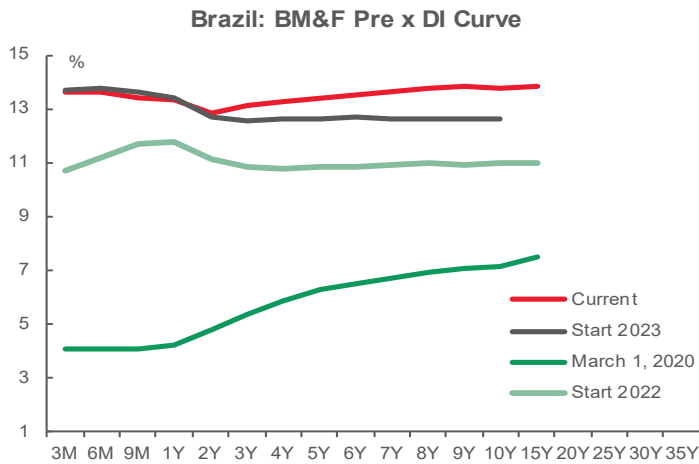


Chart 4



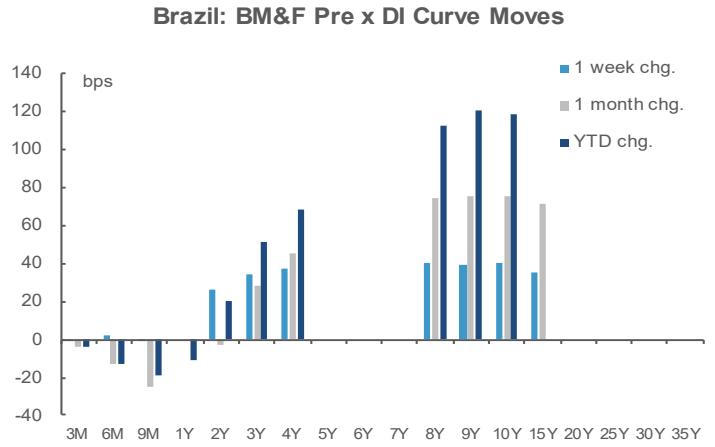
Yield Curves

Chart 1



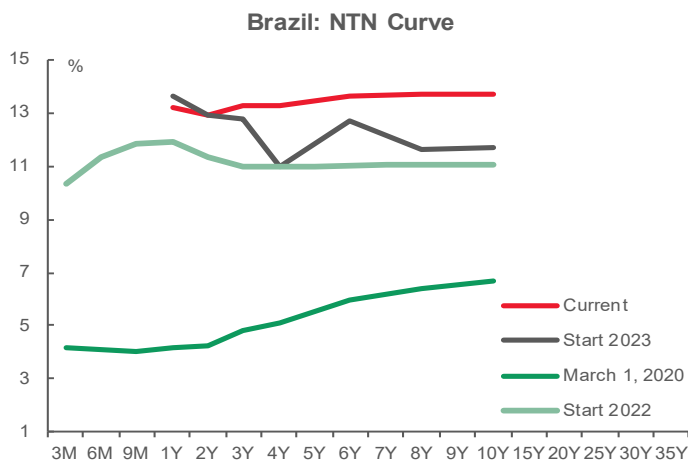
Sources: Scotiabank Economics, Bloomberg.

Chart 2



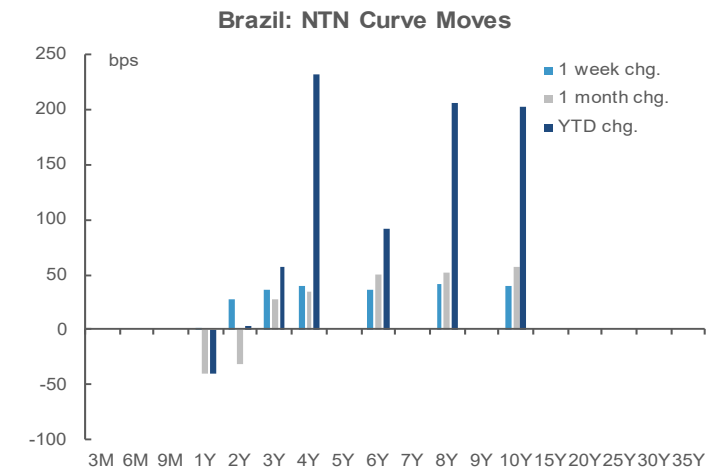
Sources: Scotiabank Economics, Bloomberg.

Chart 3



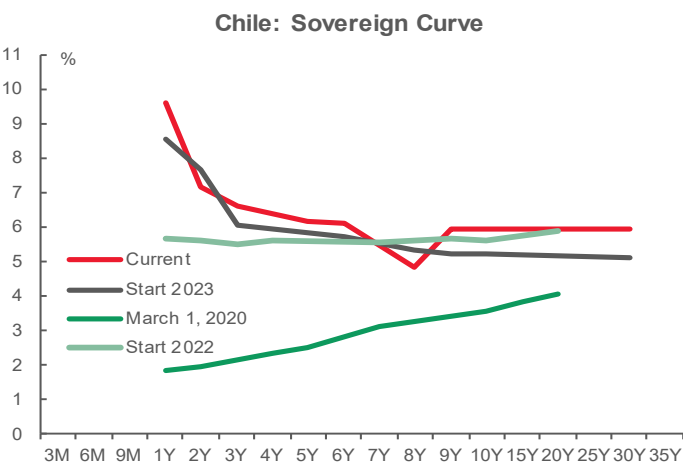
Sources: Scotiabank Economics, Bloomberg.

Chart 4



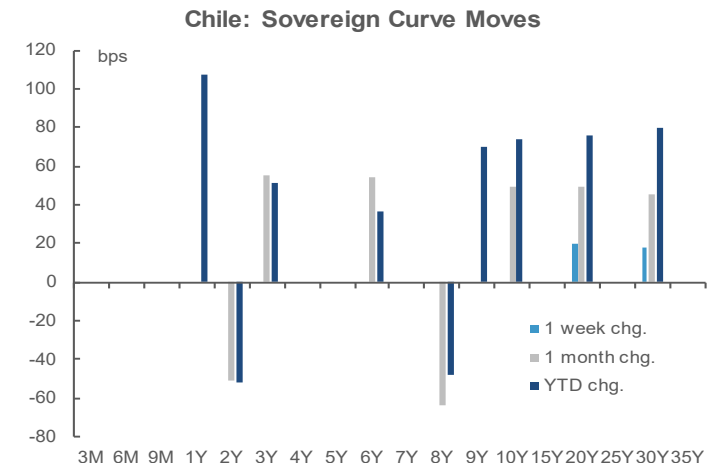
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

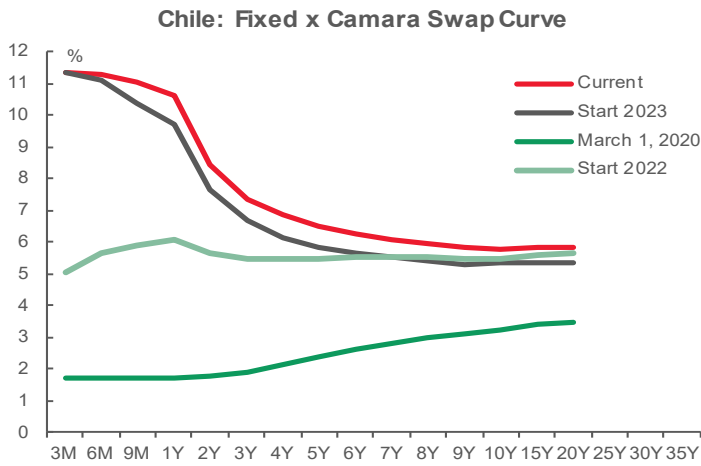
Chart 6



Sources: Scotiabank Economics, Bloomberg.

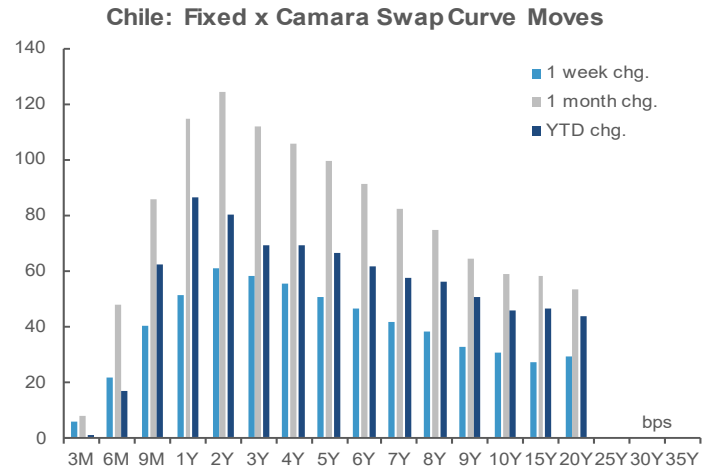
Yield Curves

Chart 7



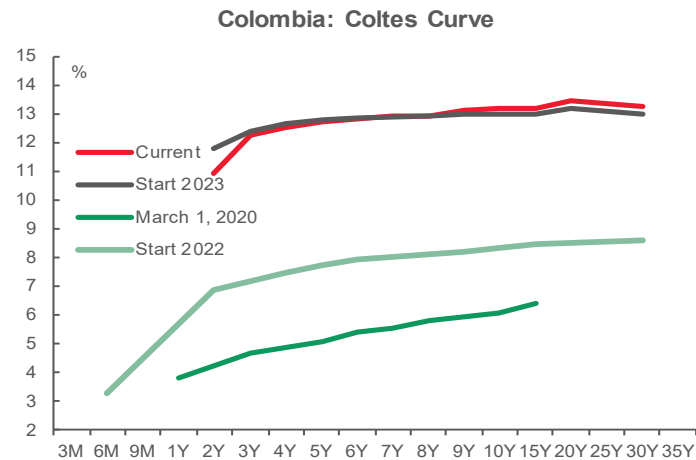
Sources: Scotiabank Economics, Bloomberg.

Chart 8



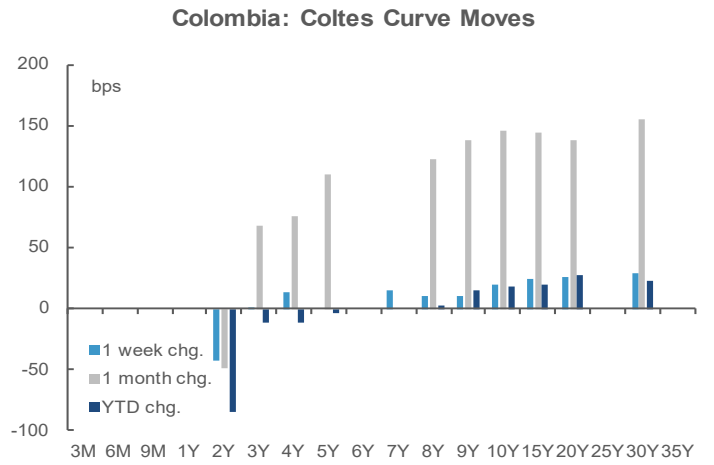
Sources: Scotiabank Economics, Bloomberg.

Chart 9



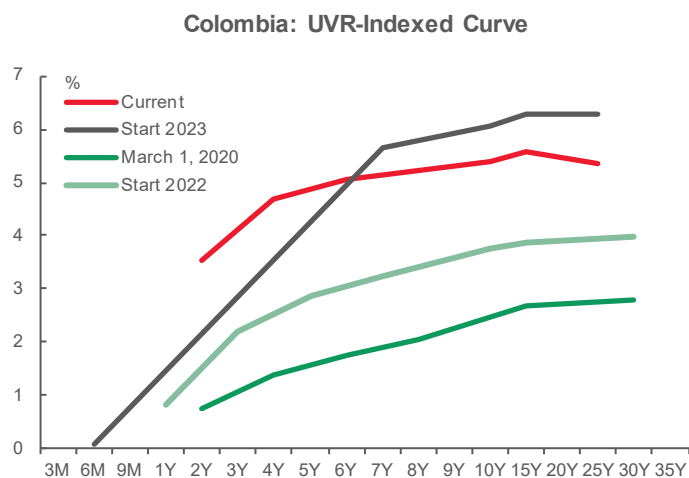
Sources: Scotiabank Economics, Bloomberg.

Chart 10



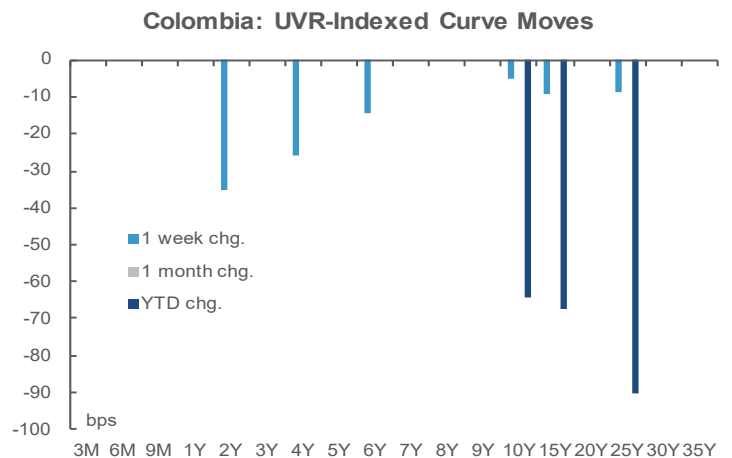
Sources: Scotiabank Economics, Bloomberg.

Chart 11



Sources: Scotiabank Economics, Bloomberg.

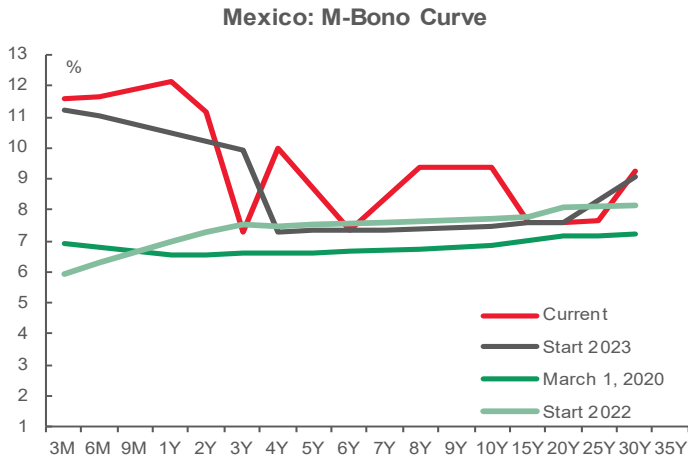
Chart 12



Sources: Scotiabank Economics, Bloomberg.

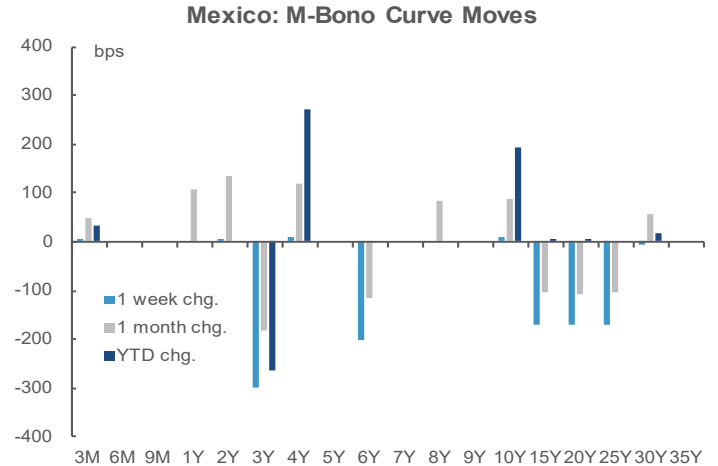
Yield Curves

Chart 13



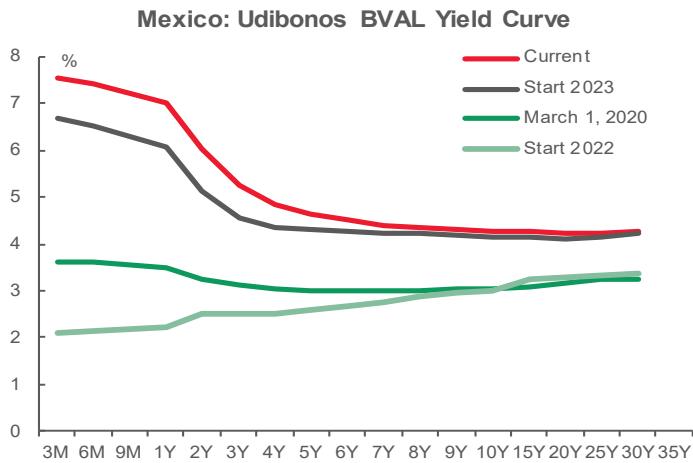
Sources: Scotiabank Economics, Bloomberg.

Chart 14



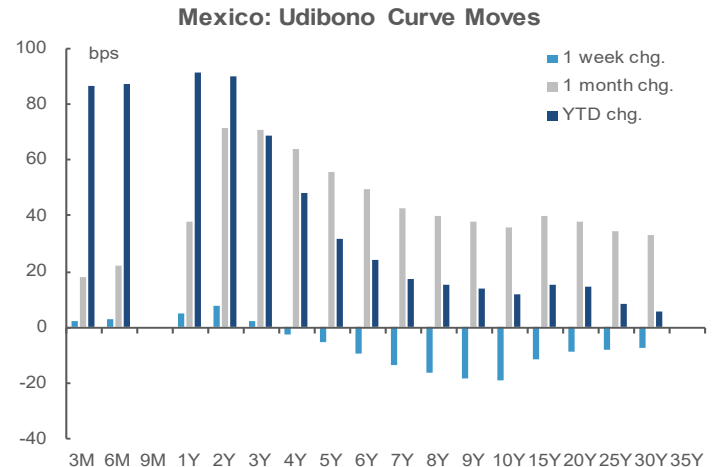
Sources: Scotiabank Economics, Bloomberg.

Chart 15



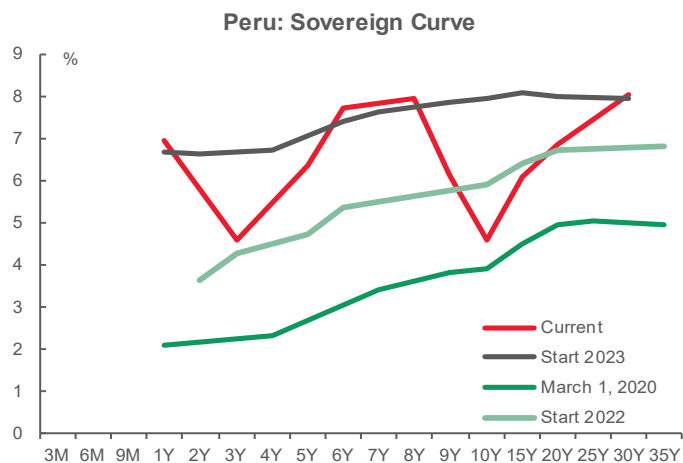
Sources: Scotiabank Economics, Bloomberg.

Chart 16



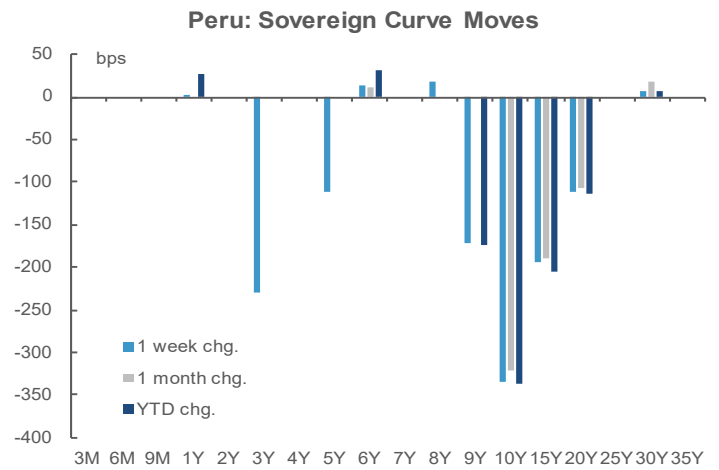
Sources: Scotiabank Economics, Bloomberg.

Chart 17



Sources: Scotiabank Economics, Bloomberg.

Chart 18



Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for March 4–17

BRAZIL

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Mar-06	6:25	Central Bank Weekly Economist Survey			--		
Mar-07	6:00	FGV Inflation IGP-DI y/y	Feb	--	--	3.01	
Mar-07	6:00	FGV Inflation IGP-DI m/m	Feb	--	--	0.06	
Mar 06-07		Vehicle Sales Anfavea	Feb	--	--	142852	
Mar 06-07		Vehicle Exports Anfavea	Feb	--	--	33048	
Mar 06-07		Vehicle Production Anfavea	Feb	--	--	152666	
Mar-08	6:00	FGV CPI IPC-S (%)	07-Mar	--	--	0.34	
Mar-09	3:00	FIPE CPI - Weekly (%)	07-Mar	--	0.51	0.47	
Mar-10	7:00	IBGE Inflation IPCA m/m	Feb	--	--	0.53	
Mar-10	7:00	IBGE Inflation IPCA y/y	Feb	--	--	5.77	
Mar-13	7:25	Central Bank Weekly Economist Survey			--		
Mar-13	14:00	Trade Balance Weekly (USD mn)	12-Mar	--	--	-280.6	
Mar-16	7:00	FGV CPI IPC-S (%)	15-Mar	--	--	0.34	
Mar-16	7:00	FGV Inflation IGP-10 m/m	Mar	--	--	0.02	
Mar-17	4:00	FIPE CPI - Weekly (%)	15-Mar	--	0.51	0.47	
Mar-17	8:00	National Unemployment Rate (%)	Jan	--	--	7.9	
Mar 15-27		Formal Job Creation Total	Feb	--	69175	162904	

CHILE

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Mar-07	6:30	Trade Balance (USD mn)	Feb	--	--	2596.47	
Mar-07	6:30	Exports Total (USD mn)	Feb	--	--	8923.65	
Mar-07	6:30	Imports Total (USD mn)	Feb	--	--	6327.18	
Mar-07	6:30	Copper Exports (USD mn)	Feb	--	--	2978.74	
Mar-07	6:30	International Reserves (USD mn)	Feb	--	--	39504	
Mar-07	7:00	Nominal Wage y/y	Jan	--	--	10.8	
Mar 01-07		IMCE Business Confidence	Feb	--	--	42.14	
Mar-08	6:00	CPI m/m	Feb	0.1	0.1	0.8	We project a CPI of 0.1% m/m in February (12.2% y/y). By divisions, we see increases in housing due to increases in rent, co-ownership expenses and LPG.
Mar-08	6:00	CPI y/y	Feb	12.2	--	12.3	
Mar-10	6:30	Central Bank Economist Survey			--		
Mar 07-10		Vehicle Sales Total	Feb	--	--	27617	

COLOMBIA

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Mar-04	12:00	CPI y/y	Feb	13.41	13.36	13.25	With inflation, we expect prices to advance more moderately, given that food prices are still rising but at a lower rate vs what was observed in 2022. Education fees will be the main contributors to inflation in February, since this group will reflect indexation effects. In the same vein, rent fees, among other services, could continue reflecting indexation, which will sum up to the pressure of the increases in fuel prices. Market consensus is below our expectations, which in any case affirms that Colombia is transitioning through the peak of inflation.
Mar-04	12:00	CPI Core y/y	Feb	10.01	--	10.43	
Mar-04	12:00	CPI m/m	Feb	1.78	1.66	1.78	
Mar-04	12:00	CPI Core m/m	Feb	1.74	--	1.61	
Mar-06	10:00	Exports FOB (USD mn)	Jan	--	4156	4498.1	
Mar-13		Consumer Confidence Index	Feb	--	--	-28.6	
Mar-15	11:00	Manufacturing Production y/y	Jan	--	--	0.55	
Mar-15	11:00	Industrial Production y/y	Jan	0.9	--	0.7	Manufacturing and retail sales are expected to remain subdued due to a lower basis of comparison and lower demand due to continued upward price pressures.
Mar-15	11:00	Retail Sales y/y	Jan	0.5	--	-1.8	
Mar-15		Central Bank's Economists Survey			--		
Mar-17	11:00	Imports CIF Total (USD mn)	Jan	--	--	5851.78	
Mar-17	11:00	Trade Balance (USD mn)	Jan	--	--	-935.2	
Mar-17	12:00	Economic Activity NSA y/y	Jan	1.7	--	1.3	With regard to the performance of the economy, we expect the services sector to continue to moderate due to lower household demand. In the primary sector, it is possible that there will still be some lags due to the weather season and transportation on some roads. In the secondary sector, we expect a moderation in manufacturing and perhaps some dynamism in construction, particularly in housing.

Forecasts at time of publication.
Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for March 4–17

MEXICO

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Mar-06	7:00	Gross Fixed Investment (%)	Dec	--	--	6.6	
Mar-06	7:00	Vehicle Production	Feb	--	--	280315	
Mar-06	7:00	Vehicle Exports	Feb	--	--	238135	
Mar-07	7:00	Consumer Confidence	Feb	--	--	42.75	
Mar-07	10:00	International Reserves Weekly (USD mn)	03-Mar	--	--	200083	
Mar-07		Banamex Survey of Economists		--	--		
Mar 01-07		Formal Job Creation Total	Feb	--	--	111.7	
Mar-09	7:00	CPI Core y/y	Feb	8.4	--	8.5	
Mar-09	7:00	CPI m/m	Feb	0.6	--	0.7	
Mar-09	7:00	CPI Core m/m	Feb	0.67	--	0.71	
Mar-09	7:00	CPI y/y	Feb	7.7	--	7.9	
Mar-09	7:00	Bi-Weekly CPI (%)	28-Feb	--	--	0.3	
Mar-09	7:00	Bi-Weekly Core CPI (%)	28-Feb	--	--	0.35	
Mar-09	7:00	Bi-Weekly CPI y/y	28-Feb	--	--	7.76	
Mar-09	7:00	Bi-Weekly Core CPI y/y	28-Feb	--	--	8.38	
Mar-10		Nominal Wages m/m	Feb	--	--	10.9	
Mar-13	8:00	Industrial Production NSA y/y	Jan	--	--	2.98	
Mar-13	8:00	Manuf. Production NSA y/y	Jan	--	--	2.7	
Mar-13	8:00	Industrial Production SA m/m	Jan	--	--	0.67	
Mar-13		ANTAD Same-Store Sales y/y	Feb	--	--	10.3	
Mar-14	11:00	International Reserves Weekly (USD mn)	10-Mar	--	--	200083	

PERU

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Mar-09	18:00	Reference Rate (%)	09-Mar	7.75	--	7.75	We believe that the terminal rate has been reached as inflation shows signs of stabilizing.
Mar-15	11:00	Lima Unemployment Rate (%)	Feb	8.8	--	8	Driven by seasonality reasons and lower labour market dynamism due to social unrest.
Mar-15	11:00	Economic Activity y/y	Jan	-0.8	--	0.9	GDP negative for first time since February 2021, explained by sectors linked to domestic demand (mainly construction sector). Mining also affected by social unrest.

Forecasts at time of publication.
Sources: Scotiabank Economics, Bloomberg.

Scotiabank Economics Latam Coverage

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